

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Number: **201443025**
Release Date: 10/24/2014
Date: July 29, 2014

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND:

X= program 1
Y= program 2
b = number
x = dollar amount
y = dollar amount

UIL:

4945.04-04

Dear :

You asked for advance approval of your educational grant procedures under Internal Revenue Code section 4945(g) (3). This approval is required because you are a private foundation that is exempt from federal income tax.

Our determination

We approved your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants meet the requirements of Code section 4945(g)(3). As a result, expenditures you make under these procedures will not be taxable.

Description of your request

You will operate two programs, X and Y, providing two types of grants:

(a) smaller, short-term grants to support the development of scholars who are currently students or recent graduates, and (b) grants for projects carried on by groups of distinguished scholars you assemble to address issues you believe are best addressed using a multi-faceted, coordinated approach.

X will identify promising students and recent graduates and award them modest grants to fund intellectually meaningful experiences that cultivate and develop their capacities as scholars in economics and related disciplines. You also hope that grantees will gain ideas for research, so that they may later be able to submit competitive proposals for your economic research grants.

Grants will be awarded based on the body of the candidate's academic work, the quality of the papers and proposed project the candidate submits to you, and on other evidence that the recipient has promise as a scholar. Grants will be awarded for projects, study, or events that the candidates propose, but only if you believe they will help develop the recipients' capacities as scholars in economics and related disciplines. For example, you envision funding projects such as travel to libraries, museums, or universities distant from the scholar's home, studies of rare books, travel for conferences or to meet with scholar colleagues and mentors, or other subsidized study or research.

In contrast to your larger research grants, X typically will not require the scholars to produce a substantial piece of scholarly work for publication. The term of the grants will generally be less than one year. You will pay initiative grants to grantees directly or indirectly through institutions. The amount of the grant will be a modest amount, which will be set on a case-by-case basis, initially between x and y dollars. Nonetheless, at all times you will ensure that award amounts are reasonable in light of the purpose of the grant.

You will require a report from the recipient within b days of the conclusion of the grant term, which must provide a detailed narrative about how the grant funds contributed to the recipient's scholarly development, and which includes an itemized budget detailing all expenses with respect to grant funds. In the rare case that a grant's term exceeds one year, you will require reports at least annually. You will retain the right to request receipts or other substantiation of reported expenses upon request.

Y will coordinate experts in the field of economics to address challenges and identify both the urgent problems requiring coordinated research and the distinguished scholars' best suited to address them, in order to most efficiently and effectively work toward innovative solutions to such problems. You believe this approach is uniquely suited to address problems in certain fields, such as those in which rapid advances in technology or emerging social trends produce problems, or those in which new data and statistical techniques are just emerging.

Grants will be awarded based on the overall body of the candidate's demonstrated research competence as evidenced by his or her scholarly work. All scholars will be either specialists in the specific research area Y is designed to address, or possess technical skills vital to advancing the research—e.g., econometrics or familiarity with particular forms of data. Participants in Y may be engaged as contractors on a fee-for-service basis and any such payments will not be "grants" within the meaning of section 4945. Similarly, you may sometimes sponsor conferences or workshops of Y members, and payments for participation in such activities are also not grants.

In contrast to your research grants that fund specific projects proposed by applicants, your program will organize groups to respond to particular issues that are pressing because of recent developments, such as financial crises; because, in your judgment, that area of scholarship has been neglected relative to traditional areas of economic scholarship; or because advances in that area are necessary to support advances in

other areas. Scholars, if not working closely together on a day-to-day basis, will at all times work in parallel fashion in a coordinated effort to most efficiently address the problem at hand. You believe that your program model leverages each scholar's particular area of expertise in order to produce effective solutions as efficiently as possible. Grants under the program may be of differing lengths, depending on the scope of the research or work being funded. While you are prepared to support researchers for periods of up to three years under a single grant award, continued support will be contingent on at least annual reviews of research progress. You will pay grants to grantees directly or indirectly through institutions. The amount of the grant will be set on a case-by-case basis, depending on both the scope of the problem to be addressed, and the number of scholars performing the research. Nonetheless, at all times you will ensure that the amount awarded to each individual is reasonable in light of the purpose of the grant.

You will require a report from each recipient within 60 days of the conclusion of the grant term, which must provide a detailed narrative about how the grant funds contributed to addressing your programs target issue, and which includes an itemized budget detailing all expenses with respect to grant funds. You will retain the right to request receipts or other substantiation of reported expenses upon request.

Both the X and Y programs, and any similar programs that are implemented in the future, will follow the administrative procedures:

- You will only make grants to enable the grantee to achieve a specific objective, produce a report, publication or other similar product, or improve or enhance a literary, scientific, teaching, or other similar capacity, skill, or talent of the grantee, in accordance with section 4945(g)(3).
- You will make grants for the purpose of producing of a report, publication or other similar product, or otherwise to achieve a specific objective— namely, to develop innovative solutions to emerging twenty-first century problems through economic research into relevant current and historical cases and data. The primary criteria for grants include the candidate's demonstrated research competence as evidenced by his or her scholarly work; those who display promise of exceptional scholarly attainment based on their academic records will also be considered for program grants.

The potential candidates for these grants will be those individuals with the exceptional qualifications necessary to carry out your purposes .

You expect to normally award X to current students and recent graduates who have concentrated their studies in economics or related social sciences or quantitative subjects. A qualified candidate for a grant should have a strong academic record and aptitude for research and writing, as evidenced by the quality of the research papers and project proposals the candidate submits to you or in some cases by the student's performance at your events and conferences or recommendations from professors or

third parties. You will identify potential grantees by soliciting qualified candidates on your website, on other relevant websites, such as those of professional associations in fields relevant to your work, or in other publications or announcements likely to be seen by current students and recent graduates. Notices may additionally be distributed by electronic mail. You will also identify candidates through your network of professors and other academic researchers and from among participants in your own programs and conferences. Any candidate who meets the eligibility criteria may apply, except for candidates who are disqualified persons within the meaning of section 4946 of the Code.

The process for selecting X grantees is administered by your professional staff comprising the X Committee. Committee members will be selected by you based on experience in—or familiarity with—economic research and/or prior experience evaluating candidates for similar awards. Your selection process will include one or more members of the committee who will review each potential grantee's proposal and his or her individual qualifications as relevant to achieving the grant's purposes and determine whether to approve the grant. It is expected that applications will be received, and grants awarded, on a rolling basis; the total number of grants to be made will depend on the strength of the proposals you receive and the availability of funds. If there are multiple committee members, they will meet periodically to ensure that they are applying the program's criteria consistently.

The process for selecting your Y grantees is administered by your professionally qualified staff comprising a program committee. Your committee will typically include a specific director and a deputy director, with oversight provided by your director of research projects and executive director. The members of the committee will be selected by you based on experience in—or familiarity with—economic research and/or prior experience evaluating candidates for similar awards. As part of the selection process, one or more members of your committee will review each potential grantee's individual qualifications as relevant to achieving the grant's purposes and determine whether to approve the grant. Your committee may select one or more leaders, however, your committee retains the ultimate authority to accept or reject a candidate for a program grant. It is expected that candidates will be considered, and grants awarded, on a rolling basis; the total number of grants to be made will depend on the number and scope of problems you determine and the availability of funds. If there are multiple committee members, they will meet periodically with each other and with Y to ensure that they are applying the program's criteria consistently and in a manner that furthers their specific objectives.

No persons who would be in a position to derive a private benefit directly or indirectly if certain grantees are selected over others is permitted to be a member of any selection committee or participate in any way in the selection process. Accordingly, no member of the X or Y committee, or your staff who has a family or similar relationship with an applicant may participate in the decision-making process concerning that applicant. Further, no grants may be awarded to any disqualified person with respect to the Institute, or for a purpose that is inconsistent with the purposes set forth in section 170(c)(2)(B) of the Code.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is:
 - A scholarship or fellowship subject to section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii); or
 - A prize or award subject to the provisions of section 74(b), if the recipient of the prize or award is selected from the general public; or
 - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulations section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

Other conditions that apply to this determination

- This determination covers only the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes in your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot make grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and must further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have any questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations